

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 ARAE-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05

PC-01 /071 W

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P R 071500Z JUL 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 161

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LIMA

AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY QUITO

AMEMBASSY LA PAZ

AMEMBASSY LONDON

AMEMBASSY PARIS

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EO 11652: NA

TAGS: AFIN, AFSP, EFIN, CI

SUBJ: MINISTRY OF AGRICULTURE BAILS OUT ON ECONOMIC TAKE-OFF

REF: A) SANTIAGO 6353, B) SANTIAGO 6475

1. PRESIDENT PINOCHET ANNOUNCED JULY 6, RESIGNATIONS OF MINISTER OF AGRICULTURE, GENERAL (CARABINEROS) TUCAPEL VALLEJOS, HIS DEPUTY, UNDER-SECRETARY CARLOS RODRIGUEZ, AND THE DEPARTMENT'S THIRD-RANKING MEMBER, CHIEF OF THE CROP AND LIVESTOCK SERVICE, GUILLERMO SALAS. PINOCHET EXPLAINED THAT VALLEJOS WAS RESIGNING FOR REASONS OF HEALTH AND HIS DEPUTIES FOR PRIVATE REASONS.

(VALLEJOS DOES IN FACT SUFFER FROM A SERIOUS CHRONIC HEALTH CONDITION)UP NOTHING WAS SAID ABOUT SUCCESSORS TO THE VACANT

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POSTS.

2. EMBASSY UNDERSTANDS FROM UNOFFICIAL SOURCES THAT ALL THREE OFFICIALS RESIGNED IN PROTEST AGAINST THE DECISION TO EXTEND VALUE ADDED TAX (VAT) COVERAGE TO BASIC AGRICULTURAL COMMODITIES. MINISTER AND HIS DEPUTIES ALLEGEDLY CITED SOCIAL BURDENS INHERENT IN APPLICATION OF 20 PERCENT VAT TO FOODSTUFFS SUCH AS BREAD, FLUR, FRESH VEGETABLES AND FRUITS WHICH HAVE PREVIOUSLY BEEN EXEMPTED.

3. COMMENT: EMBASSY SUSPECTS THAT PRESSURE FROM AGRICULTURAL INTERESTS MAY ALSO HAVE PLAYED A ROLE. REVALUATION OF PESO WILL CUT INTO PROFITABILITY OF AGRICULTURAL EXPORTS. INCIDENCE OF VAT WILL, AT LEAST IN SHORT-TERM, IMPACT PARTLY, PERHAPS EVEN MOSTLY, ON PRODUCERS.

4. THIS IS THE FIRST TIME SINCE 1973 COUP THAT MINISTER FROM ARMED SERVICES HAS RESIGNED IN PROTEST AGAINST POLICY OF GOVERNMENT. ALSO INTERESTING IS THE FACT THAT JUNTA MEMBER, GENERAL (CARABINEROS) MENDOZA, NOMINALLY IN CHARGE OF AGRICULTURAL MATTERS, WAS NEITHER CONSULTED ABOUT THE POLICY CHANGES ANNOUNCED BY PINOCHET/CAUAS ON JUNE 29 NOR DID PINOCHET AWAIT FOR HIS RETURN FROM AN OFFICIAL VISIT FROM BOLIVIA BEFORE DECIDING TO STICK BY CAUAS AND TEAM RATHER THAN COMPROMISE WITH AGRICULTURAL INTERESTS. APPARENTLY PINOCHET NOT WILLING, HOWEVER, TO ALLOW POLICY DISAGREEMENTS TO BE PUBLICIZED, HENCE THE COVER STORY.

5. RUMORS ARE CURCULATING THAT PINOCHET WILL TAKE ADVANTAGE OF THESE RESIGNATIONS FOR CABINET RESHUFFLE, AND THAT THE UNHAPPINESS WITH ECONOMIC POLICY EXTENDS BEYOND AGRICULTURE AND THE CARABINEROS.
POPPER

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